CANADIAN CURTISS WRIGHT LIMITED

1970 ANNUAL REPORT

CORPORATE DIRECTORY

DIRECTORS

Thomas F. G. Lawson
Robert J. Wilson
John B. Morris
Carl S. Sherman
Martin A. Sherry

OFFICERS

John B. Morris	*Chairman of the Board*
Carl S. Sherman	*President*
Peter A. Manchur	*Vice-President*
Lloyd S. Hoar	*Vice-President*
Robert D. Sage	*Vice-President*
Martin A. Sherry	*Treasurer*
Charles F. Scott, Q.C.	*Secretary*
Francis E. Fallon	*Assistant Secretary*

AUDITORS

Coopers & Lybrand .... Toronto, Canada

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company .... Toronto, Canada

CORPORATE COUNSEL

Gowling & Henderson .... Ottawa, Canada

CANADIAN CURTISS WRIGHT LIMITED

500 Carlingview Drive, (Rexdale), Toronto, Canada

HIGHLIGHTS

	1970	1969
Sales	$12,010,647	$ 6,844,767
Earnings (Loss) Before Income Taxes and Extraordinary Item	$ 253,092	$ (543,034)
Provision for (Recovery of) Income Taxes	$ 175,900	$ (146,423)
Extraordinary Credit	$ 152,000	$ —
Net Earnings (Loss) for the Year	$ 229,192	$ (396,611)
Net Earnings (Loss) Per Share	5¢	(9¢)
Retained Earnings	$ 869,843	$ 640,651
Shareholders' Equity	$ 2,764,951	$ 2,316,759
Working Capital	$ 1,966,832	$ 1,630,767
Number of Common Shares Outstanding	4,701,282	4,387,682

CANADIAN CURTISS WRIGHT LIMITED

TO THE SHAREHOLDERS:

As anticipated in the 1969 Annual Report, your Company made significant progress in 1970. Operations were returned to a profitable level, and the Company was structured for further growth.

Sales for 1970 reached $12,010,647, an increase of 76% over sales of $6,844,767 in 1969.

After-tax profits were $229,192 or 5¢ per share, contrasting with an after-tax loss of $396,611 in 1969. Before-tax profits for 1970 were $253,092 and Federal and Provincial income taxes totalled $23,900, the latter reduced by the application of a 1969 tax loss carry forward. The 1970 results reflect the consolidation of Webster Air Equipment Ltd. operations for the last six months of the year.

The improved results were achieved in the face of substantially higher costs of financing increased sales, partly the result of very high interest rates during the year. Interest costs were $248,039 in 1970, compared with $21,836 in 1969.

New orders written during 1970 were $13,054,000, as compared with $6,923,000 in 1969. The backlog at December 31, 1970 was $2,617,000, as compared with $1,574,000 at the end of the previous year.

The most significant development in your Company's operations related to the marketing of its new snowmobile and recreational vehicle engines, manufactured in Japan. In the first full year following the introduction of these engines, your Company's complete line of single and twin cylinder model engines for snowmobiles and all-terrain vehicles met with enthusiastic acceptance in the industry. As a result, a significant increase in share of market was achieved.

To take fullest advantage of your Company's established sales and service outlets developed for its engine activities, considerable effort is being expended on studies of the feasibility of extending the power products product line to include accessory and ancillary items for the recreational vehicle industry.

The Incor Division was affected by depressed economic conditions in 1970, involving curtailed capital spending which resulted in lower sales of compressors. In addition, the results of Design Team Leasing in the supply of overload technical personnel were disappointing.

On the other hand, gross margins of your Company's automotive service equipment were improved in several directions in 1970. Some products previously manufactured by your Company were subcontracted to outside suppliers, with resultant economies in costs. Two product lines which were not contributing at the required profit level were discontinued.

Automotive product lines were expanded by a successfully negotiated agreement for a line of "tunnel type, high-capacity" car wash equipment to be brand marketed by your Company under its name. Agreement was also reached with Car-O-Matic Inc., for a line of smaller single-bay rollover car wash units. This agreement is exclusive for Canada, Australia, England and South Africa.

Further negotiations are being carried on for additional products in this area. As a result of the first arrangement, initial sales of car wash equipment were made in late 1970, for shipment in 1971. It is believed that this product line will add significant sales volume in 1971.

Your Company's Fluidair compressors, manufactured in England, and Grasso compressors, manufactured in Holland, will, in 1971, be marketed through an integration with the product line of Webster Air Equipment Ltd. Improved operations are anticipated as a result, through broadened marketing capabilities and market coverage, with your Company now in a position to offer a significantly broader range of compressed air equipment, both stationary and portable.

Discussions are presently under way with an important U.S. company to act as your Company's exclusive distributor in the U.S. for the Fluidair line of Whittaker Hall air compressors.

An agreement with a Canadian firm for the manufacture of materials handling equipment was consummated in 1970, under which your Company secured the exclusive rights for North America, parts of Europe, and certain British Commonwealth countries for the full range of their products.

The acquisition of Webster Air Equipment Ltd. as a 100% owned subsidiary in 1970, and the planned merging of your Company's other compressor operations into Webster Air, are expected to yield significant benefits and improvements in operations and profitability. The Webster Air operation has been consistently profitable, and its results will be consolidated for the full year of 1971 as compared with consolidation for six months in 1970.

Total requirements for financing are expected to increase in 1971, but a lower average interest rate than in 1970 is also expected.

Intensive studies of your Company's physical facilities are in progress, with a view to possible consolidation and cost savings. A small piece of property, shown on the 1970 balance sheet as "property held for sale," was sold in January, 1971 at approximately $5,000 less than the stated asset value.

Your Company is aggressively continuing further acquisition studies. Although no negotiations are currently in progress, active investigations are under way to further broaden and expand the scope of your Company's business.

No message such as this would be complete without a sincere expression of appreciation for the dedicated and effective work of employees, and the loyalty and assistance of shareholders, customers, and suppliers.

On behalf of the Board of Directors,

John B. Young

Chairman of the Board

February 25th, 1971 *President*

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1970

(with comparative figures as of December 31, 1969)

ASSETS

CURRENT ASSETS			1970	1969
Accounts receivable			**$1,966,497**	$1,693,775
Income taxes recoverable			**123,036**	155,034
Inventories — at the lower of cost or net realizable value (note 2)			**3,682,341**	1,600,946
Prepaid expenses			**27,715**	29,821
			$5,799,589	$3,479,576
FIXED ASSETS	*Cost*	*Accumulated depreciation*		
Land	$110,869	—	**$ 110,869**	$ 110,869
Building	305,278	$ 35,040	**270,238**	287,769
Equipment and other	553,327	423,144	**130,183**	105,007
	$969,474	$458,184	**$ 511,290**	$ 503,645
Property held for sale — at cost, less accumulated depreciation			**38,975**	40,739
			$ 550,265	$ 544,384
OTHER ASSETS				
Franchises — at cost, less amounts written off			**$ 18,518**	$ 40,145
Excess of cost of investment in businesses acquired over book value of net assets at dates of acquisition			**703,368**	290,525
			$ 721,886	$ 330,670
			$7,071,740	$4,354,630

CANADIAN CURTISS WRIGHT LIMITED AND SUBSIDIARIES

LIABILITIES

	1970	1969
CURRENT LIABILITIES		
Bank loan and overdraft	$2,285,500	$1,095,660
Accounts payable and accrued liabilities	531,912	296,658
Current portion of long-term debt	80,030	6,531
Trade account payable — to parent company	935,315	449,960
	$3,832,757	$1,848,809
LONG-TERM DEBT (note 7)	474,032	189,062
	$4,306,789	$2,037,871

SHAREHOLDERS' EQUITY

	1970	1969
CAPITAL STOCK		
Authorized — 10,000,000 shares without par value		
Issued and fully paid — 4,701,282 shares (notes 3 and 4)	$1,755,108	$1,528,608
To be issued as part consideration for purchase of subsidiaries (note 3)	140,000	147,500
RETAINED EARNINGS	869,843	640,651
	$2,764,951	$2,316,759
SIGNED ON BEHALF OF THE BOARD		
J. B. MORRIS, Director	$7,071,740	$4,354,630
C. S. SHERMAN, Director		

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Canadian Curtiss-Wright, Limited and subsidiary companies as of December 31, 1970 and the related consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination for the year ended December 31, 1969.

In our opinion these consolidated financial statements present fairly the financial position of the companies as of December 31, 1970 and 1969 and the results of their operations and the source and use of their working capital for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

January 20, 1971. COOPERS & LYBRAND, Chartered Accountants

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1970 (with comparative figures for 1969)

	1970	1969
SALES	$12,010,647	$ 6,844,767
COST OF SALES	9,887,061	5,955,302
	$ 2,123,586	$ 889,465
SELLING, GENERAL AND ADMINISTRATIVE, AND FINANCIAL EXPENSES	1,870,494	1,432,499
NET EARNINGS (LOSS) BEFORE INCOME TAXES	$ 253,092	$ (543,034)
PROVISION FOR (RECOVERY OF) INCOME TAXES	175,900	(146,423)
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM	$ 77,192	$ (396,611)
REDUCTION IN CURRENT YEAR'S INCOME TAXES ON APPLICATION OF PRIOR YEAR'S LOSS	152,000	—
NET EARNINGS (LOSS) FOR THE YEAR	$ 229,192	$ (396,611)
RETAINED EARNINGS — BEGINNING OF YEAR	640,651	1,037,262
RETAINED EARNINGS — END OF YEAR	$ 869,843	$ 640,651

	1970 Cents	1969 Cents
EARNINGS (LOSS) PER SHARE (note 6)		
Earnings (loss) before extraordinary item	1.67	(9.04)
Net earnings (loss) for the year	5.04	(9.04)

The following are included in the above statement:

	1970	1969
Depreciation of fixed assets	$ 53,756	$ 58,729
Amortization of franchises	21,627	26,124
Directors' fees	2,000	3,500
Interest on long-term debt	14,217	12,830
Other interest	233,822	9,006

CANADIAN CURTISS WRIGHT LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1970 (with comparative figures for 1969)

	1970	1969
SOURCE OF WORKING CAPITAL		
Net earnings (loss) for the year	$ 229,192	$ (396,611)
Items not affecting working capital— Depreciation and amortization of franchises	75,383	84,853
Provided from operations	$ 304,575	$ (311,758)
Proceeds on sale of fixed assets	3,822	2,519
7½% mortgage	—	189,062
Issue of common shares	219,000	—
Notes payable	365,000	—
	$ 892,397	$ (120,177)
USE OF WORKING CAPITAL		
Reduction of long-term liabilities	$ 80,030	—
Purchase of fixed assets	63,459	$ 346,523
Excess of cost of investment in business acquired over book value of net assets	412,843	—
	$ 556,332	$ 346,523
INCREASE (DECREASE) IN WORKING CAPITAL	$ 336,065	$ (466,700)
WORKING CAPITAL — BEGINNING OF YEAR	1,630,767	2,097,467
WORKING CAPITAL — END OF YEAR	$ 1,966,832	$ 1,630,767

CANADIAN CURTISS WRIGHT LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1970

1. BASIS OF CONSOLIDATION

The accounts of all the subsidiaries have been consolidated. Assets and liabilities in foreign currency have been converted to Canadian funds at the exchange rate in effect at December 31, 1970.

2. INVENTORIES

These are classified as follows:

	1970	1969
Finished goods	$3,381,000	$1,556,758
Work in process	23,067	20,781
Raw materials	278,274	23,407
	$3,682,341	$1,600,946

3. ACQUISITION OF SUBSIDIARIES

The company issued 10,360 shares valued at $7,500 as required under the 1967 agreement for the purchase of certain subsidiaries. Under this agreement the Company has undertaken to issue in the future shares of the Company valued at $140,000. The number of shares to be issued is based upon the following:

(a) On September 15 in each of the two years 1971 to 1972, by dividing $7,500 by the average daily closing price of the Company's shares on the Toronto Stock Exchange during a period of 14 days before and 14 days after September 1 of each of the years.

(b) Between April 1, 1973 and March 31, 1974, the greater of:

(i) $125,000 divided by the average daily closing price of shares of the Company on the Toronto Stock Exchange during a period of 14 days before and 14 days after the date as at which the shares are to be issued.

(ii) the combined cumulative earnings (as defined) of the acquired companies in the period September 1, 1967 to December 31, 1972 divided by the average daily closing price of shares of the Company on the Toronto Stock Exchange during a period of 14 days before and 14 days after the date as at which the shares are to be issued.

During the year the Company acquired all the outstanding shares of a company for cash, notes and 303,240 common shares valued at $219,000. These shares are categorized by the Toronto Stock Exchange as non-exempt from the interest equalization tax pursuant to the United States Internal Revenue Code. Subject to conditions the Company has guaranteed to October 9, 1975 that the recipient of the 303,240 shares will, upon the sale of the first 101,080 of these shares, realize a minimum of $72,999.98. If this amount is not realized, then the Company will be required to issue sufficient additional shares as determined by a formula in the agreement to compensate for the difference between $72,999.98 and the amount realized.

4. STOCK OPTIONS

An option to purchase 15,000 shares at a price per share of $3.1825, being 95% of the highest price of the Company's shares trading on the Toronto Stock Exchange on April 11, 1968, remains outstanding. This option expires on April 13, 1973.

During 1970, the Company created a new share option plan for full-time executives of the Company. The maximum number of shares that can be optioned under this plan is 100,000. Under the plan, the Company granted to three full-time officer-employees options to purchase 45,000 common shares at a price of 69.56 cents per share (being equal to 90% of the mean of the high and low sale prices on the Toronto Stock Exchange on the date of the grant of the options) exercisable as follows:

On or after March 20	Number of shares	Expiry date
1970	9,000	March 20, 1975
1971	9,000	March 20, 1976
1972	9,000	March 20, 1977
1973	9,000	March 20, 1978
1974	9,000	March 20, 1979

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the Company and its subsidiary companies to the directors and five senior officers amounted to $104,050 for the year ended December 31, 1970.

6. EARNINGS PER SHARE

The disclosure of fully diluted earnings per share arising from the possible exercise of the outstanding stock options and the issue of additional shares for the acquisition of subsidiaries as outlined in note 3 has been omitted because:

(a) The effect of dilution would not result in a material change from the basic earnings per share as reported.

(b) The total number of additional shares to be issued is unknown.

7. LONG-TERM DEBT

	1970	1969
Long-term debt consists of:		
7¼% mortgage payable, maturing February 1, 1986, payable in monthly instalments, including principal and interest of $1,729	$189,062	$195,593
Non-interest bearing notes payable in annual instalments of $73,000 commencing August 31, 1971	365,000	—
	$554,062	$195,593
Less: Current portion	80,030	6,531
	$474,032	$189,062

8. CONTINGENT LIABILITY

The Company has received a letter from the solicitor of a supplier claiming $95,000 because of breach of contract in connection with the manufacture of a product. No provision has been made in the accounts of the Company for this claim, since based on the information received from the Company's officers, counsel for the Company is of the opinion that there are no grounds for recovery against the Company.

9. LEASE

A subsidiary company has a lease for a building terminating in 1980 requiring the payment of an annual rental of $28,500.

CANADIAN CURTISS WRIGHT LIMITED

500 Carlingview Drive, (Rexdale), Toronto, Canada

CANADIAN CURTISS-WRIGHT, LIMITED

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an Annual and Special General Meeting of the Shareholders of Canadian Curtiss-Wright, Limited (hereinafter called the "Corporation") will be held at the New Brunswick Room, Royal York Hotel, Front Street West, Toronto, Ontario, on Thursday the 8th day of April 1971, at the hour of ten o'clock in the forenoon, Toronto time, for the following purposes:

1) Receiving the Annual Report of the Corporation which includes the report of the Directors, the Financial Statements for the year ended December 31, 1970 and the auditors' report thereon;

2) Considering and, if deemed advisable, confirming, with or without variation, Special By-law No. 1 increasing from five (5) to seven (7) the number of Directors of the Corporation;

3) Considering and, if deemed advisable, confirming, with or without variation, a Special Resolution passed by the Board of Directors on the 23rd day of February 1971 authorizing an application for Articles of Amendment to provide that the Corporation may purchase out of surplus any of its common shares;

4) Considering and, if deemed advisable, confirming, with or without variation, By-law No. 28 of the Corporation, being a by-law amending By-law No. 1 of the Corporation, with respect to the indemnification of Directors;

5) Electing Directors;

6) Appointing auditors and authorizing the Directors to fix the remuneration of the auditors; and

7) Transacting such other business as may properly come before the meeting or any adjournment thereof.

A copy of the Annual Report, including the Financial Statements and auditors' report and a Proxy, accompany this Notice. Any shareholder unable to attend the meeting is requested to complete and return the Proxy.

The Proxy should be deposited or mailed to the office of The Canada Trust Company, 110 Yonge Street, Toronto 1, Ontario, no later than forty-eight (48) hours before the time of holding the meeting. Every registered holder of a share of the Company at the time of the meeting shall be entitled to vote.

Dated at Toronto, Ontario this 23rd day of February 1971.

By Order of the Board.

Charles F. Scott,
Secretary.

ELECTION OF DIRECTORS

Presuming that the shareholders shall at the meeting confirm Special By-law No. 1 enacted by the Board of Directors on February 23, 1971, increasing from five (5) to seven (7) the number of Directors of the Corporation, a Board of seven (7) Directors is to be elected. Persons named in the enclosed Proxy intend to vote for the election of the nominees whose names are set forth below, all of whom, with the exception of Messrs. David Lasky and John B. Webster, are now members of the Board of Directors and have been since the dates indicated. The Management does not contemplate that any of the nominees will be unavailable for election but, if that should occur for any reason prior to the meeting, the persons named in the enclosed Proxy reserve the right to vote for another nominee in their discretion. Each Director elected will hold office until the next Annual Meeting or until his successor is duly elected, unless his office is earlier vacated in accordance with the By-laws.

The following table and notes thereto state the names of all persons proposed to be nominated for election as Directors, all other positions and offices with the Corporation now held by them, their principal occupations or employments, the year in which they first became Directors of the Corporation and the approximate number of shares of the Corporation beneficially owned directly or indirectly by each of them as of March 1, 1971:

Name	Principal Occupation	Year first became a Director	Approximate number of shares beneficially owned
David Lasky	General Counsel, Curtiss-Wright Corporation	—	100
Thomas F. G. Lawson	President and General Manager, Lawson & Jones Limited (printing and packaging)	1964	800
John B. Morris	Senior Vice President, Curtiss-Wright Corporation. Mr. Morris is Chairman of the Board of Canadian Curtiss-Wright, Limited.	1961	1,000
Carl S. Sherman	A Vice President, Curtiss-Wright Corporation. Mr. Sherman is President of Canadian Curtiss-Wright, Limited.	1968	100
Martin A. Sherry	Treasurer, Curtiss-Wright Corporation. Mr. Sherry is also Treasurer of Canadian Curtiss-Wright, Limited.	1967	100
John B. Webster	President, Webster Mfg. (London) Limited (custom zinc die castings).	—	293,240
Robert J. Wilson	Senior Vice-President, The Royal Trust Company (trust company).	1970	500

Notes: (1) The information as to shares beneficially owned not being within the knowledge of the Corporation, has been furnished by the respective Directors individually.

(2) The principal business of Curtiss-Wright Corporation, with which a number of the above-named persons are associated, is that of manufacturers of aerospace, nuclear and industrial products.

(3) Mr. David Lasky is an attorney. He has been General Counsel of Curtis-Wright Corporation since July 1, 1967, and prior thereto, from March 1966, was Corporation Counsel of Curtiss-Wright Corporation.

(4) Mr. John B. Webster is a manufacturer. He has been President and a director of Webster Mfg. (London) Limited for more than five years.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

(1)	Aggregate direct remuneration paid or payable by the Corporation and its subsidiaries during the year ended December 31, 1970 to the Directors and Senior Officers (as defined in The Business Corporations Act, 1970) of the Corporation	$104,050.00
(2)	Estimated aggregate cost to the Corporation and its subsidiaries during the year ended December 31, 1970 of all pension benefits proposed to be paid to the Directors and Senior Officers of the Corporation (as defined in The Business Corporations Act, 1970) under any normal pension plan in the event of retirement at normal retirement age	$ 3,594.00

OPTIONS AND OTHER RIGHTS TO PURCHASE SECURITIES OF THE CORPORATION

During its fiscal year ended December 31, 1970 the Corporation created a new share option plan for full-time employees (including officers) of the Corporation and its subsidiaries. The maximum number of shares in the capital of the Corporation which may be granted under this plan is 100,000. No option may be granted after December 31, 1975. The option price per share is to be fixed by the Board of Directors when an option is granted, provided that no such price shall be less than 90% of the mean of the high and low sales prices of shares of the Corporation traded on The Toronto Stock Exchange on the day on which such option is granted. If an optionee is no longer employed by the Corporation or one of its subsidiaries his option terminates as to any shares not taken up at the time he ceases to be employed, except that if an optionee dies while employed exercise of the option may be permitted within six (6) months of his death, as to any shares which the optionee might have purchased up to his death. Each option is personal to the optionee. No consideration is receivable by the Corporation for the granting of any such option.

Under the above referred to share option plan on March 20, 1970 the Corporation granted to each of three full-time officer-employees an option to purchase 15,000 shares in the capital of the Corporation (a total of 45,000 shares) at a price of 69.56 cents per share (being equal to 90% of the mean of the high and low sale prices on the Toronto Stock Exchange on the date of the grant of the options) exercisable as follows:

On or after March 20	Number of Shares	Expiry date
1970	9,000	March 20, 1975
1971	9,000	March 20, 1976
1972	9,000	March 20, 1977
1973	9,000	March 20, 1978
1974	9,000	March 20, 1979

The price range of the shares of the Corporation in the thirty-day period preceding the date of the grant of the option, that is from February 18, 1970 to March 19, 1970 (inclusive) on The Toronto Stock Exchange extended from Seventy-five cents (75¢) to Eighty-seven cents (87¢).

None of the options granted have been exercised in whole or in part.

Confirmation of the Special Resolution will require the affirmative vote of at least two-thirds (2/3) of the votes cast at the Annual and Special General Meeting of Shareholders.

THE MANAGEMENT RECOMMENDS CONFIRMATION OF THE SPECIAL RESOLUTION AUTHORIZING APPLICATION FOR ARTICLES OF AMENDMENT.

INFORMATION REGARDING BY-LAW NO. 28

By-law No. 28 concerns indemnification of directors. It repeals and deletes two paragraphs of By-law No. 1 of the Corporation and substitutes provisions in accord with Section 147 of the Business Corporations Act, 1970, which Act came into force on January 1, 1971. The variation effected by By-law No. 28 was made necessary by Section 272 of The Business Corporations Act, 1970.

THE MANAGEMENT RECOMMENDS CONFIRMATION OF BY-LAW NO. 28.

OTHER BUSINESS

The Management is not aware of any matters other than those indicated above, which may be submitted to the meeting for action. However, if any matters other than those referred to should properly come before the meeting, it is the intention of the persons named in the enclosed Proxy to vote such Proxy in accordance with their best judgment.

Dated: March 1, 1971.